

AMENDED IN ASSEMBLY MARCH 27, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2009**

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**Introduced by Assembly Member Weber**

February 20, 2014

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An act to add Sections 8258, 8258.1, 8258.2, 8258.3, 8258.4, 9259, 9259.1, 9259.2, ~~9259.3~~, 9259.3, 9259.4, 30457, 30457.1, 30457.2, 30457.3, 30457.4, 32458, 32458.1, 32458.2, 32458.3, 32458.4, 40177, 40177.1, 40177.2, 40177.3, 40177.4, 41133, 41133.1, 41133.2, 41133.3, 41133.4, 43507, 43507.1, 43507.2, 43507.3, 43507.4, 45855.6, 45855.61, 45855.62, 45855.63, 45855.6.1, 45855.6.2, 45855.6.3, 45855.6.4, 46607, 46607.1, 46607.2, 46607.3, 46607.4, 50155.6, 50155.61, 50155.62, 50155.63, 50155.6.1, 50155.6.2, 50155.6.3, 50155.6.4, 55306, 55306.1, 55306.2, 55306.3, 55306.4, 60611, 60611.1, 60611.2, and 60611.3, and 60611.4 to, to add Article 4.5 (commencing with Section 40192) to Chapter 7 of Part 19 of, and to add Article 4.5 (commencing with Section 41153) to Chapter 7 of Part 20 of, Division 2 of, the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2009, as amended, Weber. State Board of Equalization: administration: managed audit program.

The Sales and Use Tax Law provides for a managed audit program, in which, if the State Board of Equalization determines a taxpayer's account is eligible for the program by meeting specified criteria; and the taxpayer agrees to participate, the taxpayer examines its books, records, and equipment to determine if it has any unreported tax liability for the audit period, in compliance with the managed audit instructions provided by the board. Under that law, upon completion of the managed

audit and verification by the board, interest on any unpaid liability is computed at  $\frac{1}{2}$  the rate that would otherwise be imposed for liabilities covered by the audit period.

This bill would authorize a managed audit program for the Motor Vehicle Fuel Tax Law, Use Fuel Tax Law, Cigarette and Tobacco Products Tax Law, Alcoholic Beverage Tax Law, Energy Resources Surcharge Law, Emergency Telephone Users Surcharge Act, Hazardous Substances Tax Law, Integrated Waste Management Fee Law, Oil Spill Response, Prevention, and Administration Fees Law, Underground Storage Tank Maintenance Fee Law, fees collected pursuant to the Fee Collection Procedures Law, and Diesel Fuel Tax Law.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 8258 is added to the Revenue and  
2 Taxation Code, to read:

3 8258. (a) ~~The State Board of Equalization~~ *board* shall  
4 determine which ~~taxpayer's~~ *taxpayer's* accounts are eligible for  
5 the managed audit program in a manner that is consistent with the  
6 efficient use of its auditing resources and the maximum  
7 effectiveness of the program.

8 (b) A taxpayer is not required to participate in the managed  
9 audit program.

10 SEC. 2. Section 8258.1 is added to the Revenue and Taxation  
11 Code, to read:

12 8258.1. A ~~taxpayer's~~ *taxpayer's* account is eligible for the  
13 managed audit program only if the taxpayer meets all of the  
14 following criteria:

15 (a) ~~The taxpayer's~~ *taxpayer's* business involves few or no  
16 statutory exemptions.

17 (b) ~~The taxpayer's~~ *taxpayer's* business involves a single or a  
18 small number of clearly defined taxability issues.

19 (c) The taxpayer is taxed pursuant to this part and agrees to  
20 participate in the managed audit program.

21 (d) The taxpayer has the resources to comply with the managed  
22 audit instructions provided by the board.

23 SEC. 3. Section 8258.2 is added to the Revenue and Taxation  
24 Code, to read:

1 8258.2. (a) If the board selects a ~~taxpayer's~~ *taxpayer's* account  
2 for a managed audit, all of the following apply:

3 (1) The board shall identify all of the following:

4 (A) The audit period covered by the managed audit.

5 (B) The types of transactions covered by the managed audit.

6 (C) The specific procedures that the taxpayer is to follow in  
7 determining any liability.

8 (D) The records to be reviewed by the taxpayer.

9 (E) The manner in which the types of transactions are to be  
10 scheduled for review.

11 (F) The time period for completion of the managed audit.

12 (G) The time period for the payment of the liability and interest.

13 (H) Any other criteria that the board may require for completion  
14 of the managed audit.

15 (2) The taxpayer shall:

16 (A) Examine its books, ~~records, and equipment~~ *and records* to  
17 determine if it has any unreported tax liability for the audit period.

18 (B) Make available to the board for verification all computations;  
19 ~~books, records, and equipment~~ *and books and records* examined  
20 pursuant to subparagraph (A).

21 (b) The information provided by the taxpayer pursuant to  
22 paragraph (2) of subdivision (a) is the same information that is  
23 required for the completion of any other audit that the board may  
24 conduct.

25 *SEC. 4. Section 8258.3 is added to the Revenue and Taxation*  
26 *Code, to read:*

27 *8258.3. Nothing in the article limits the board's authority to*  
28 *examine the books and records of a taxpayer under Section 8253.*

29 ~~SEC. 4.~~

30 *SEC. 5. Section ~~8258.3~~8258.4 is added to the Revenue and*  
31 *Taxation Code, to read:*

32 ~~8258.3.~~

33 *8258.4. Upon completion of the managed audit and verification*  
34 *by the board, interest on any unpaid liability shall be computed at*  
35 *one-half the rate that would otherwise be imposed for liabilities*  
36 *covered by the audit period. Payment of the liabilities and interest*  
37 *shall be made within the time period specified by the board. If the*  
38 *requirements for the managed audit are not satisfied, the board*  
39 *may proceed to examine the records of the taxpayer in a manner*  
40 *to be determined by the board under law.*

1     ~~SEC. 5.~~

2     ~~SEC. 6.~~ Section 9259 is added to the Revenue and Taxation  
3 Code, to read:

4     9259. (a) ~~The State Board of Equalization~~ *board* shall  
5 determine which ~~taxpayer's~~ *taxpayer's* accounts are eligible for  
6 the managed audit program in a manner that is consistent with the  
7 efficient use of its auditing resources and the maximum  
8 effectiveness of the program.

9     (b) A taxpayer is not required to participate in the managed  
10 audit program.

11    ~~SEC. 6.~~

12    ~~SEC. 7.~~ Section 9259.1 is added to the Revenue and Taxation  
13 Code, to read:

14    9259.1. A ~~taxpayer's~~ *taxpayer's* account is eligible for the  
15 managed audit program only if the taxpayer meets all of the  
16 following criteria:

17    (a) ~~The taxpayer's~~ *taxpayer's* business involves few or no  
18 statutory exemptions.

19    (b) ~~The taxpayer's~~ *taxpayer's* business involves a single or a  
20 small number of clearly defined taxability issues.

21    (c) The taxpayer is taxed pursuant to this part and agrees to  
22 participate in the managed audit program.

23    (d) The taxpayer has the resources to comply with the managed  
24 audit instructions provided by the board.

25    ~~SEC. 7.~~

26    ~~SEC. 8.~~ Section 9259.2 is added to the Revenue and Taxation  
27 Code, to read:

28    9259.2. (a) If the board selects a taxpayer's account for a  
29 managed audit, all of the following apply:

30    (1) The board shall identify all of the following:

31    (A) The audit period covered by the managed audit.

32    (B) The types of transactions covered by the managed audit.

33    (C) The specific procedures that the taxpayer is to follow in  
34 determining any liability.

35    (D) The records to be reviewed by the taxpayer.

36    (E) The manner in which the types of transactions are to be  
37 scheduled for review.

38    (F) The time period for completion of the managed audit.

39    (G) The time period for the payment of the liability and interest.

1 (H) Any other criteria that the board may require for completion  
2 of the managed audit.

3 (2) The taxpayer shall:

4 (A) Examine its books, *papers*, records, and equipment to  
5 determine if it has any unreported tax liability for the audit period.

6 (B) Make available to the board for verification all computations;  
7 ~~books, and books, papers,~~ records, and equipment examined  
8 pursuant to subparagraph (A).

9 (b) The information provided by the taxpayer pursuant to  
10 paragraph (2) of subdivision (a) is the same information that is  
11 required for the completion of any other audit that the board may  
12 conduct.

13 *SEC. 9. Section 9259.3 is added to the Revenue and Taxation*  
14 *Code, to read:*

15 *9259.3. Nothing in this article limits the board's authority to*  
16 *examine the books, papers, records, and equipment of a taxpayer*  
17 *under Section 9254.*

18 ~~SEC. 8.~~

19 *SEC. 10. Section ~~9259.3~~ 9259.4 is added to the Revenue and*  
20 *Taxation Code, to read:*

21 ~~9259.3.~~

22 *9259.4. Upon completion of the managed audit and verification*  
23 *by the board, interest on any unpaid liability shall be computed at*  
24 *one-half the rate that would otherwise be imposed for liabilities*  
25 *covered by the audit period. Payment of the liabilities and interest*  
26 *shall be made within the time period specified by the board. If the*  
27 *requirements for the managed audit are not satisfied, the board*  
28 *may proceed to examine the records of the taxpayer in a manner*  
29 *to be determined by the board under law.*

30 ~~SEC. 9.~~

31 *SEC. 11. Section 30457 is added to the Revenue and Taxation*  
32 *Code, to read:*

33 ~~30457. (a) The State Board of Equalization board~~ shall  
34 ~~determine which taxpayer's~~ *taxpayer's* accounts are eligible for  
35 the managed audit program in a manner that is consistent with the  
36 efficient use of its auditing resources and the maximum  
37 effectiveness of the program.

38 (b) A taxpayer is not required to participate in the managed  
39 audit program.

1     ~~SEC. 10.~~

2     ~~SEC. 12.~~ Section 30457.1 is added to the Revenue and Taxation  
3 Code, to read:

4     30457.1. A ~~taxpayer's~~ *taxpayer's* account is eligible for the  
5 managed audit program only if the taxpayer meets all of the  
6 following criteria:

7     (a) The ~~taxpayer's~~ *taxpayer's* business involves few or no  
8 statutory exemptions.

9     (b) The ~~taxpayer's~~ *taxpayer's* business involves a single or a  
10 small number of clearly defined taxability issues.

11     (c) The taxpayer is taxed pursuant to this part and agrees to  
12 participate in the managed audit program.

13     (d) The taxpayer has the resources to comply with the managed  
14 audit instructions provided by the board.

15     ~~SEC. 11.~~

16     ~~SEC. 13.~~ Section 30457.2 is added to the Revenue and Taxation  
17 Code, to read:

18     30457.2. (a) If the board selects a ~~taxpayer's~~ *taxpayer's* account  
19 for a managed audit, all of the following apply:

20     (1) The board shall identify all of the following:

21         (A) The audit period covered by the managed audit.

22         (B) The types of transactions covered by the managed audit.

23         (C) The specific procedures that the taxpayer is to follow in  
24 determining any liability.

25         (D) The records to be reviewed by the taxpayer.

26         (E) The manner in which the types of transactions are to be  
27 scheduled for review.

28         (F) The time period for completion of the managed audit.

29         (G) The time period for the payment of the liability and interest.

30         (H) Any other criteria that the board may require for completion  
31 of the managed audit.

32     (2) The taxpayer shall:

33         (A) Examine its books, *papers*, records, and equipment to  
34 determine if it has any unreported tax liability for the audit period.

35         (B) Make available to the board for verification all computations;  
36 ~~books, and books, papers,~~ records, and equipment examined  
37 pursuant to subparagraph (A).

38     (b) The information provided by the taxpayer pursuant to  
39 paragraph (2) of subdivision (a) is the same information that is

1 required for the completion of any other audit that the board may  
2 conduct.

3 *SEC. 14. Section 30457.3 is added to the Revenue and Taxation*  
4 *Code, to read:*

5 *30457.3. Nothing in this article limits the board's authority to*  
6 *examine the books, papers, records, and equipment of a taxpayer*  
7 *under Section 30454.*

8 ~~SEC. 12.~~

9 ~~SEC. 15. Section 30457.3~~ 30457.4 is added to the Revenue  
10 and Taxation Code, to read:

11 ~~30457.3.~~

12 30457.4. Upon completion of the managed audit and  
13 verification by the board, interest on any unpaid liability shall be  
14 computed at one-half the rate that would otherwise be imposed  
15 for liabilities covered by the audit period. Payment of the liabilities  
16 and interest shall be made within the time period specified by the  
17 board. If the requirements for the managed audit are not satisfied,  
18 the board may proceed to examine the records of the taxpayer in  
19 a manner to be determined by the board under law.

20 ~~SEC. 13.~~

21 *SEC. 16. Section 32458 is added to the Revenue and Taxation*  
22 *Code, to read:*

23 32458. (a) ~~The State Board of Equalization~~ *board* shall  
24 determine which ~~taxpayer's~~ *taxpayer's* accounts are eligible for  
25 the managed audit program in a manner that is consistent with the  
26 efficient use of its auditing resources and the maximum  
27 effectiveness of the program.

28 (b) A taxpayer is not required to participate in the managed  
29 audit program.

30 ~~SEC. 14.~~

31 *SEC. 17. Section 32458.1 is added to the Revenue and Taxation*  
32 *Code, to read:*

33 32458.1. A ~~taxpayer's~~ *taxpayer's* account is eligible for the  
34 managed audit program only if the taxpayer meets all of the  
35 following criteria:

36 (a) ~~The taxpayer's~~ *taxpayer's* business involves few or no  
37 statutory exemptions.

38 (b) ~~The taxpayer's~~ *taxpayer's* business involves a single or a  
39 small number of clearly defined taxability issues.

1 (c) The taxpayer is taxed pursuant to this part and agrees to  
2 participate in the managed audit program.

3 (d) The taxpayer has the resources to comply with the managed  
4 audit instructions provided by the board.

5 ~~SEC. 15.~~

6 *SEC. 18.* Section 32458.2 is added to the Revenue and Taxation  
7 Code, to read:

8 32458.2. (a) If the board selects a taxpayer's ~~taxpayer's~~ account  
9 for a managed audit, all of the following apply:

10 (1) The board shall identify all of the following:

11 (A) The audit period covered by the managed audit.

12 (B) The types of transactions covered by the managed audit.

13 (C) The specific procedures that the taxpayer is to follow in  
14 determining any liability.

15 (D) The records to be reviewed by the taxpayer.

16 (E) The manner in which the types of transactions are to be  
17 scheduled for review.

18 (F) The time period for completion of the managed audit.

19 (G) The time period for the payment of the liability and interest.

20 (H) Any other criteria that the board may require for completion  
21 of the managed audit.

22 (2) The taxpayer shall:

23 (A) Examine its books, ~~records, and equipment~~ *and records* to  
24 determine if it has any unreported tax liability for the audit period.

25 (B) Make available to the board for verification all computations;  
26 ~~books, records, and equipment~~ *and books and records* examined  
27 pursuant to subparagraph (A).

28 (b) The information provided by the taxpayer pursuant to  
29 paragraph (2) of subdivision (a) is the same information that is  
30 required for the completion of any other audit that the board may  
31 conduct.

32 *SEC. 19.* Section 32458.3 is added to the Revenue and Taxation  
33 Code, to read:

34 32458.3. *Nothing in this article limits the board's authority to*  
35 *examine the books and records of a taxpayer under Section 32453.*

36 ~~SEC. 16.~~

37 *SEC. 20.* Section ~~32458.3~~ 32458.4 is added to the Revenue  
38 and Taxation Code, to read:



1     ~~32458.3.~~

2     32458.4. Upon completion of the managed audit and  
3 verification by the board, interest on any unpaid liability shall be  
4 computed at one-half the rate that would otherwise be imposed  
5 for liabilities covered by the audit period. Payment of the liabilities  
6 and interest shall be made within the time period specified by the  
7 board. If the requirements for the managed audit are not satisfied,  
8 the board may proceed to examine the records of the taxpayer in  
9 a manner to be determined by the board under law.

10     ~~SEC. 17. Article 4.5 (commencing with Section 40192) is~~  
11 ~~added to Chapter 7 of Part 19 of Division 2 of the Revenue and~~  
12 ~~Taxation Code, to read:~~

13  
14                     Article 4.5. Managed Audits  
15

16     ~~40192. (a) The board shall determine which electric utility's~~  
17 ~~accounts are eligible for the managed audit program in a manner~~  
18 ~~that is consistent with the efficient use of its auditing resources~~  
19 ~~and the maximum effectiveness of the program.~~

20     ~~(b) An electric utility is not required to participate in the~~  
21 ~~managed audit program.~~

22     ~~40192.1. An electric utility's account is eligible for the~~  
23 ~~managed audit program only if the electric utility meets all of the~~  
24 ~~following criteria:~~

25     ~~(a) The electric utility's business involves few or no statutory~~  
26 ~~exemptions.~~

27     ~~(b) The electric utility's business involves a single or small~~  
28 ~~number of clearly defined taxability issues.~~

29     ~~(c) The electric utility is subject to this part and agrees to~~  
30 ~~participate in the managed audit program.~~

31     ~~(d) The electric utility has the resources to comply with the~~  
32 ~~managed audit instructions provided by the board.~~

33     ~~40192.2. (a) If the board selects an electric utility's account~~  
34 ~~for a managed audit, all of the following apply:~~

35         ~~(1) The board shall identify all of the following:~~

36             ~~(A) The audit period covered by the managed audit.~~

37             ~~(B) The types of transactions covered by the managed audit.~~

38             ~~(C) The specific procedures that the electric utility is to follow~~  
39 ~~in determining any liability.~~

40             ~~(D) The records to be reviewed by the electric utility.~~

1     ~~(E) The manner in which the types of transactions are to be~~  
2     ~~scheduled for review.~~

3     ~~(F) The time period for completion of the managed audit.~~

4     ~~(G) The time period for the payment of the liability and interest.~~

5     ~~(H) Any other criteria that the board may require for completion~~  
6     ~~of the managed audit.~~

7     ~~(2) The electric utility shall:~~

8     ~~(A) Examine its books, records, and equipment to determine if~~  
9     ~~it has any unreported surcharge liability for the audit period.~~

10    ~~(B) Make available to the board for verification all computations,~~  
11    ~~books, records, and equipment examined pursuant to subparagraph~~  
12    ~~(A).~~

13    ~~(b) The information provided by the electric utility pursuant to~~  
14    ~~paragraph (2) of subdivision (a) is the same information that is~~  
15    ~~required for the completion of any other audit that the board may~~  
16    ~~conduct.~~

17    ~~40192.3. Upon completion of the managed audit and~~  
18    ~~verification by the board, interest on any unpaid liability shall be~~  
19    ~~computed at one-half the rate that would otherwise be imposed~~  
20    ~~for liabilities covered by the audit period. Payment of the liabilities~~  
21    ~~and interest shall be made within the time period specified by the~~  
22    ~~board. If the requirements for the managed audit are not satisfied,~~  
23    ~~the board may proceed to examine the records of the electric utility~~  
24    ~~in a manner to be determined by the board under law.~~

25    ~~SEC. 18. Article 4.5 (commencing with Section 41153) is~~  
26    ~~added to Chapter 7 of Part 20 of Division 2 of the Revenue and~~  
27    ~~Taxation Code, to read:~~

28  
29                   Article 4.5. Managed Audits  
30

31    ~~41153. (a) The board shall determine which service supplier's~~  
32    ~~accounts are eligible for the managed audit program in a manner~~  
33    ~~that is consistent with the efficient use of its auditing resources~~  
34    ~~and the maximum effectiveness of the program.~~

35    ~~(b) A service supplier is not required to participate in the~~  
36    ~~managed audit program.~~

37    ~~41153.1. A service supplier's account is eligible for the~~  
38    ~~managed audit program only if the service supplier meets all of~~  
39    ~~the following criteria:~~

1 ~~(a) The service supplier's business involves few or no statutory~~  
2 ~~exemptions.~~

3 ~~(b) The service supplier's business involves a single or a small~~  
4 ~~number of clearly defined taxability issues.~~

5 ~~(c) The service supplier is taxed pursuant to this part and agrees~~  
6 ~~to participate in the managed audit program.~~

7 ~~(d) The service supplier has the resources to comply with the~~  
8 ~~managed audit instructions provided by the board.~~

9 ~~41153.2. (a) If the board selects a service supplier's account~~  
10 ~~for a managed audit, all of the following apply:~~

11 ~~(1) The board shall identify all of the following:~~

12 ~~(A) The audit period covered by the managed audit.~~

13 ~~(B) The types of transactions covered by the managed audit.~~

14 ~~(C) The specific procedures that the service supplier is to follow~~  
15 ~~in determining any liability.~~

16 ~~(D) The records to be reviewed by the service supplier.~~

17 ~~(E) The manner in which the types of transactions are to be~~  
18 ~~scheduled for review.~~

19 ~~(F) The time period for completion of the managed audit.~~

20 ~~(G) The time period for the payment of the liability and interest.~~

21 ~~(H) Any other criteria that the board may require for completion~~  
22 ~~of the managed audit.~~

23 ~~(2) The service supplier shall:~~

24 ~~(A) Examine its books, records, and equipment to determine if~~  
25 ~~it has any unreported tax liability for the audit period.~~

26 ~~(B) Make available to the board for verification all computations;~~  
27 ~~books, records, and equipment examined pursuant to subparagraph~~

28 ~~(A).~~

29 ~~(b) The information provided by the service supplier pursuant~~  
30 ~~to paragraph (2) of subdivision (a) is the same information that is~~  
31 ~~required for the completion of any other audit that the board may~~  
32 ~~conduct.~~

33 ~~41153.3. Upon completion of the managed audit and~~  
34 ~~verification by the board, interest on any unpaid liability shall be~~  
35 ~~computed at one-half the rate that would otherwise be imposed~~  
36 ~~for liabilities covered by the audit period. Payment of the liabilities~~  
37 ~~and interest shall be made within the time period specified by the~~  
38 ~~board. If the requirements for the managed audit are not satisfied;~~  
39 ~~the board may proceed to examine the records of the service~~  
40 ~~supplier in a manner to be determined by the board under law.~~

1     *SEC. 21. Section 40177 is added to the Revenue and Taxation*  
2     *Code, to read:*

3     *40177. (a) The board shall determine which electric utility's*  
4     *accounts are eligible for the managed audit program in a manner*  
5     *that is consistent with the efficient use of its auditing resources*  
6     *and the maximum effectiveness of the program.*

7     *(b) An electric utility is not required to participate in the*  
8     *managed audit program.*

9     *SEC. 22. Section 40177.1 is added to the Revenue and Taxation*  
10    *Code, to read:*

11    *40177.1. An electric utility's account is eligible for the*  
12    *managed audit program only if the electric utility meets all of the*  
13    *following criteria:*

14    *(a) The electric utility's business involves few or no statutory*  
15    *exemptions.*

16    *(b) The electric utility's business involves a single or small*  
17    *number of clearly defined taxability issues.*

18    *(c) The electric utility is subject to this part and agrees to*  
19    *participate in the managed audit program.*

20    *(d) The electric utility has the resources to comply with the*  
21    *managed audit instructions provided by the board.*

22    *SEC. 23. Section 40177.2 is added to the Revenue and Taxation*  
23    *Code, to read:*

24    *40177.2. (a) If the board selects an electric utility's account*  
25    *for a managed audit, all of the following apply:*

26    *(1) The board shall identify all of the following:*

27    *(A) The audit period covered by the managed audit.*

28    *(B) The types of transactions covered by the managed audit.*

29    *(C) The specific procedures that the electric utility is to follow*  
30    *in determining any liability.*

31    *(D) The records to be reviewed by the electric utility.*

32    *(E) The manner in which the types of transactions are to be*  
33    *scheduled for review.*

34    *(F) The time period for completion of the managed audit.*

35    *(G) The time period for the payment of the liability and interest.*

36    *(H) Any other criteria that the board may require for completion*  
37    *of the managed audit.*

38    *(2) The electric utility shall:*

39    *(A) Examine its records, meters, and equipment to determine if*  
40    *it has any unreported tax liability for the audit period.*

1     (B) Make available to the board for verification all computations  
2     and records, meters, and equipment examined pursuant to  
3     subparagraph (A).

4     (b) The information provided by the electric utility pursuant to  
5     paragraph (2) of subdivision (a) is the same information that is  
6     required for the completion of any other audit that the board may  
7     conduct.

8     SEC. 24. Section 40177.3 is added to the Revenue and Taxation  
9     Code, to read:

10    40177.3. Nothing in the article limits the board's authority to  
11    examine the records, meters, and equipment of an electric utility  
12    under Section 40174.

13    SEC. 25. Section 40177.4 is added to the Revenue and Taxation  
14    Code, to read:

15    40177.4. Upon completion of the managed audit and  
16    verification by the board, interest on any unpaid liability shall be  
17    computed at one-half the rate that would otherwise be imposed  
18    for liabilities covered by the audit period. Payment of the liabilities  
19    and interest shall be made within the time period specified by the  
20    board. If the requirements for the managed audit are not satisfied,  
21    the board may proceed to examine the records of the electric utility  
22    in a manner to be determined by the board under law.

23    SEC. 26. Section 41133 is added to the Revenue and Taxation  
24    Code, to read:

25    41133. (a) The board shall determine which service supplier's  
26    accounts are eligible for the managed audit program in a manner  
27    that is consistent with the efficient use of its auditing resources  
28    and the maximum effectiveness of the program.

29    (b) A service supplier is not required to participate in the  
30    managed audit program.

31    SEC. 27. Section 41133.1 is added to the Revenue and Taxation  
32    Code, to read:

33    41133.1. A service supplier's account is eligible for the  
34    managed audit program only if the service supplier meets all of  
35    the following criteria:

36    (a) The service supplier's business involves few or no statutory  
37    exemptions.

38    (b) The service supplier's business involves a single or small  
39    number of clearly defined taxability issues.

1     (c) *The service supplier is taxed pursuant to this part and agrees*  
2 *to participate in the managed audit program.*

3     (d) *The service supplier has the resources to comply with the*  
4 *managed audit instructions provided by the board.*

5     SEC. 28. *Section 41133.2 is added to the Revenue and Taxation*  
6 *Code, to read:*

7     41133.2. (a) *If the board selects a service supplier's account*  
8 *for a managed audit, all of the following apply:*

9     (1) *The board shall identify all of the following:*

10     (A) *The audit period covered by the managed audit.*

11     (B) *The types of transactions covered by the managed audit.*

12     (C) *The specific procedures that the service supplier is to follow*  
13 *in determining any liability.*

14     (D) *The records to be reviewed by the service supplier.*

15     (E) *The manner in which the types of transactions are to be*  
16 *scheduled for review.*

17     (F) *The time period for completion of the managed audit.*

18     (G) *The time period for the payment of the liability and interest.*

19     (H) *Any other criteria that the board may require for completion*  
20 *of the managed audit.*

21     (2) *The service supplier shall:*

22     (A) *Examine its records and returns to determine if it has any*  
23 *unreported tax liability for the audit period.*

24     (B) *Make available to the board for verification all computations*  
25 *and records and returns examined pursuant to subparagraph (A).*

26     (b) *The information provided by the service supplier pursuant*  
27 *to paragraph (2) of subdivision (a) is the same information that*  
28 *is required for the completion of any other audit that the board*  
29 *may conduct.*

30     SEC. 29. *Section 41133.3 is added to the Revenue and Taxation*  
31 *Code, to read:*

32     41133.3. *Nothing in this article limits the board's authority to*  
33 *inspect and audit all records and returns of a service supplier*  
34 *under Section 41130.*

35     SEC. 30. *Section 41133.4 is added to the Revenue and Taxation*  
36 *Code, to read:*

37     41133.4. *Upon completion of the managed audit and*  
38 *verification by the board, interest on any unpaid liability shall be*  
39 *computed at one-half the rate that would otherwise be imposed*  
40 *for liabilities covered by the audit period. Payment of the liabilities*

1 *and interest shall be made within the time period specified by the*  
2 *board. If the requirements for the managed audit are not satisfied,*  
3 *the board may proceed to examine the records of the service*  
4 *supplier in a manner to be determined by the board under law.*

5 ~~SEC. 19.~~

6 SEC. 31. Section 43507 is added to the Revenue and Taxation  
7 Code, to read:

8 43507. (a) The board shall determine which ~~taxpayer's~~  
9 *taxpayer's* accounts are eligible for the managed audit program in  
10 a manner that is consistent with the efficient use of its auditing  
11 resources and the maximum effectiveness of the program.

12 (b) A taxpayer is not required to participate in the managed  
13 audit program.

14 ~~SEC. 20.~~

15 SEC. 32. Section 43507.1 is added to the Revenue and Taxation  
16 Code, to read:

17 43507.1. A taxpayer's account is eligible for the managed audit  
18 program only if the taxpayer meets all of the following criteria:

19 (a) The taxpayer's business or activities involve few or no  
20 statutory exemptions.

21 (b) The taxpayer's business or activities involve a single or a  
22 small number of clearly defined taxability or liability issues.

23 (c) The taxpayer is taxed pursuant to this part and agrees to  
24 participate in the managed audit program.

25 (d) The taxpayer has the resources to comply with the managed  
26 audit instructions provided by the board.

27 ~~SEC. 21.~~

28 SEC. 33. Section 43507.2 is added to the Revenue and Taxation  
29 Code, to read:

30 43507.2. (a) If the board selects a taxpayer's account for a  
31 managed audit, all of the following apply:

32 (1) The board shall identify all of the following:

33 (A) The audit period covered by the managed audit.

34 (B) The types of transactions or activities covered by the  
35 managed audit.

36 (C) The specific procedures that the taxpayer is to follow in  
37 determining any liability.

38 (D) The records to be reviewed by the taxpayer.

39 (E) The manner in which the types of transactions or activities  
40 are to be scheduled for review.

1 (F) The time period for completion of the managed audit.

2 (G) The time period for the payment of the liability and interest.

3 (H) Any other criteria that the board may require for completion  
4 of the managed audit.

5 (2) The taxpayer shall:

6 (A) Examine its books, ~~records, and equipment~~ *and records* to  
7 determine if it has any unreported liability for the audit period.

8 (B) Make available to the board for verification all computations;  
9 ~~books, records, and equipment~~ *and books and records* examined  
10 pursuant to subparagraph (A).

11 (b) The information provided by the taxpayer pursuant to  
12 paragraph (2) of subdivision (a) is the same information that is  
13 required for the completion of any other audit that the board may  
14 conduct.

15 *SEC. 34. Section 43507.3 is added to the Revenue and Taxation*  
16 *Code, to read:*

17 *43507.3. Nothing in this article limits the board's authority to*  
18 *examine the books and records of a taxpayer under Section 43502.*

19 ~~SEC. 22.~~

20 *SEC. 35. Section ~~43507.3~~ 43507.4 is added to the Revenue*  
21 *and Taxation Code, to read:*

22 ~~43507.3.~~

23 *43507.4. Upon completion of the managed audit and*  
24 *verification by the board, interest on any unpaid liability shall be*  
25 *computed at one-half the rate that would otherwise be imposed*  
26 *for liabilities covered by the audit period. Payment of the liabilities*  
27 *and interest shall be made within the time period specified by the*  
28 *board. If the requirements for the managed audit are not satisfied,*  
29 *the board may proceed to examine the records of the taxpayer in*  
30 *a manner to be determined by the board under law.*

31 ~~SEC. 23.~~

32 *SEC. 36. Section 45855.6 is added to the Revenue and Taxation*  
33 *Code, to read:*

34 *45855.6. (a) The board shall determine which feepayer's*  
35 *accounts are eligible for the managed audit program in a manner*  
36 *that is consistent with the efficient use of its auditing resources*  
37 *and the maximum effectiveness of the program.*

38 *(b) A feepayer is not required to participate in the managed*  
39 *audit program.*



1     ~~SEC. 24.~~

2     ~~SEC. 37.~~ Section ~~45855.61~~ 45855.6.1 is added to the Revenue  
3 and Taxation Code, to read:

4     ~~45855.61.~~

5     45855.6.1. A feepayer's account is eligible for the managed  
6 audit program only if the feepayer meets all of the following  
7 criteria:

8     (a) The feepayer's business or activities involve few or no  
9 statutory exemptions.

10    (b) The feepayer's business or activities involve a single or a  
11 small number of clearly defined taxability or liability issues.

12    (c) The feepayer is ~~charged pursuant to this part~~ *subject to the*  
13 *fee imposed pursuant to Section 48000 of the Public Resources*  
14 *Code* and agrees to participate in the managed audit program.

15    (d) The feepayer has the resources to comply with the managed  
16 audit instructions provided by the board.

17    ~~SEC. 25.~~

18    ~~SEC. 38.~~ Section ~~45855.62~~ 45855.6.2 is added to the Revenue  
19 and Taxation Code, to read:

20    ~~45855.62.~~

21    45855.6.2. (a) If the board selects a feepayer's account for a  
22 managed audit, all of the following apply:

23    (1) The board shall identify all of the following:

24    (A) The audit period covered by the managed audit.

25    (B) The types of transactions or activities covered by the  
26 managed audit.

27    (C) The specific procedures that the feepayer is to follow in  
28 determining any liability.

29    (D) The records to be reviewed by the feepayer.

30    (E) The manner in which the types of transactions or activities  
31 are to be scheduled for review.

32    (F) The time period for completion of the managed audit.

33    (G) The time period for the payment of the liability and interest.

34    (H) Any other criteria that the board may require for completion  
35 of the managed audit.

36    (2) The feepayer shall:

37    (A) Examine its books, ~~records, and equipment~~ *and records* to  
38 determine if it has any unreported liability for the audit period.

1 (B) Make available to the board for verification all computations;  
2 ~~books, records, and equipment~~ and books and records examined  
3 pursuant to subparagraph (A).

4 (b) The information provided by the feepayer pursuant to  
5 paragraph (2) of subdivision (a) is the same information that is  
6 required for the completion of any other audit that the board may  
7 conduct.

8 *SEC. 39. Section 45855.6.3 is added to the Revenue and*  
9 *Taxation Code, to read:*

10 *45855.6.3. Nothing in this article limits the board's authority*  
11 *to examine the books and records of a fee payer under Section*  
12 *45852.*

13 ~~SEC. 26.~~

14 *SEC. 40. Section ~~45855.63~~ 45855.6.4 is added to the Revenue*  
15 *and Taxation Code, to read:*

16 ~~45855.63.~~

17 *45855.6.4. Upon completion of the managed audit and*  
18 *verification by the board, interest on any unpaid liability shall be*  
19 *computed at one-half the rate that would otherwise be imposed*  
20 *for liabilities covered by the audit period. Payment of the liabilities*  
21 *and interest shall be made within the time period specified by the*  
22 *board. If the requirements for the managed audit are not satisfied,*  
23 *the board may proceed to examine the records of the feepayer in*  
24 *a manner to be determined by the board under law.*

25 ~~SEC. 27.~~

26 *SEC. 41. Section 46607 is added to the Revenue and Taxation*  
27 *Code, to read:*

28 *46607. (a) The board shall determine which feepayer's*  
29 *accounts are eligible for the managed audit program in a manner*  
30 *that is consistent with the efficient use of its auditing resources*  
31 *and the maximum effectiveness of the program.*

32 *(b) A feepayer is not required to participate in the managed*  
33 *audit program.*

34 ~~SEC. 28.~~

35 *SEC. 42. Section 46607.1 is added to the Revenue and Taxation*  
36 *Code, to read:*

37 *46607.1. A feepayer's account is eligible for the managed audit*  
38 *program only if the feepayer meets all of the following criteria:*

39 *(a) The feepayer's business or activities involve few or no*  
40 *statutory exemptions.*

1 (b) The feepayer's business or activities involve a single or a  
2 small number of clearly defined taxability or liability issues.

3 (c) The feepayer is ~~charged pursuant to this part~~ *subject to the*  
4 *fee imposed pursuant to Section 8670.40 or Section 8670.48 of the*  
5 *Government Code* and agrees to participate in the managed audit  
6 program.

7 (d) The feepayer has the resources to comply with the managed  
8 audit instructions provided by the board.

9 ~~SEC. 29.~~

10 *SEC. 43.* Section 46607.2 is added to the Revenue and Taxation  
11 Code, to read:

12 46607.2. (a) If the board selects a feepayer's account for a  
13 managed audit, all of the following apply:

14 (1) The board shall identify all of the following:

15 (A) The audit period covered by the managed audit.

16 (B) The types of transactions or activities covered by the  
17 managed audit.

18 (C) The specific procedures that the feepayer is to follow in  
19 determining any liability.

20 (D) The records to be reviewed by the feepayer.

21 (E) The manner in which the types of transactions or activities  
22 are to be scheduled for review.

23 (F) The time period for completion of the managed audit.

24 (G) The time period for the payment of the liability and interest.

25 (H) Any other criteria that the board may require for completion  
26 of the managed audit.

27 (2) The feepayer shall:

28 (A) Examine its books, ~~records, and equipment~~ *and records* to  
29 determine if it has any unreported liability for the audit period.

30 (B) Make available to the board for verification all computations;  
31 ~~books, records, and equipment~~ *and books and records* examined  
32 pursuant to subparagraph (A).

33 (b) The information provided by the feepayer pursuant to  
34 paragraph (2) of subdivision (a) is the same information that is  
35 required for the completion of any other audit that the board may  
36 conduct.

37 *SEC. 44.* Section 46607.3 is added to the Revenue and Taxation  
38 Code, to read:

39 46607.3. *Nothing in this article limits the board's authority to*  
40 *examine the books and records of a feepayer under Section 46603.*

1     ~~SEC. 30.~~

2     ~~SEC. 45.~~ Section ~~46607.3~~ 46607.4 is added to the Revenue  
3 and Taxation Code, to read:

4     ~~46607.3.~~

5     46607.4. Upon completion of the managed audit and  
6 verification by the board, interest on any unpaid liability shall be  
7 computed at one-half the rate that would otherwise be imposed  
8 for liabilities covered by the audit period. Payment of the liabilities  
9 and interest shall be made within the time period specified by the  
10 board. If the requirements for the managed audit are not satisfied,  
11 the board may proceed to examine the records of the feepayer in  
12 a manner to be determined by the board under law.

13     ~~SEC. 31.~~

14     ~~SEC. 46.~~ Section 50155.6 is added to the Revenue and Taxation  
15 Code, to read:

16     50155.6. (a) The board shall determine which feepayer's  
17 accounts are eligible for the managed audit program in a manner  
18 that is consistent with the efficient use of its auditing resources  
19 and the maximum effectiveness of the program.

20     (b) A feepayer is not required to participate in the managed  
21 audit program.

22     ~~SEC. 32.~~

23     ~~SEC. 47.~~ Section ~~50155.61~~ 50155.6.1 is added to the Revenue  
24 and Taxation Code, to read:

25     ~~50155.61.~~

26     50155.6.1. A feepayer's account is eligible for the managed  
27 audit program only if the feepayer meets all of the following  
28 criteria:

29     (a) The feepayer's business or activities involve few or no  
30 statutory exemptions.

31     (b) The feepayer's business or activities involves a single or  
32 small number of clearly defined taxability or liability issues.

33     (c) The feepayer is ~~charged pursuant to this part~~ *subject to the*  
34 *fee imposed pursuant to Section 25299.41 of the Health and Safety*  
35 *Code* and agrees to participate in the managed audit program.

36     (d) The feepayer has the resources to comply with the managed  
37 audit instructions provided by the board.

38     ~~SEC. 33.~~

39     ~~SEC. 48.~~ Section ~~50155.62~~ 50155.6.2 is added to the Revenue  
40 and Taxation Code, to read:

~~50155.62.~~

50155.6.2. (a) If the board selects a feepayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions or activities covered by the managed audit.

(C) The specific procedures that the feepayer is to follow in determining any liability.

(D) The records to be reviewed by the feepayer.

(E) The manner in which the types of transactions or activities are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The feepayer shall:

(A) Examine its books, records, and equipment *and records* to determine if it has any unreported liability for the audit period.

(B) Make available to the board for verification all computations; books, records, and equipment *and books and records* examined pursuant to subparagraph (A).

(b) The information provided by the feepayer pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 49. Section 50155.6.3 is added to the Revenue and Taxation Code, to read:

50155.6.3. Nothing in this article limits the board's authority to examine the books and records of a fee payer under Section 50153.

~~SEC. 34.~~

SEC. 50. Section ~~50155.63~~ 50155.6.4 is added to the Revenue and Taxation Code, to read:

~~50155.63.~~

50155.6.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the

1 board. If the requirements for the managed audit are not satisfied,  
2 the board may proceed to examine the records of the feepayer in  
3 a manner to be determined by the board under law.

4 ~~SEC. 35.~~

5 *SEC. 51.* Section 55306 is added to the Revenue and Taxation  
6 Code, to read:

7 55306. (a) The board shall determine which feepayer's  
8 accounts are eligible for the managed audit program in a manner  
9 that is consistent with the efficient use of its auditing resources  
10 and the maximum effectiveness of the program.

11 (b) A feepayer is not required to participate in the managed  
12 audit program.

13 ~~SEC. 36.~~

14 *SEC. 52.* Section 55306.1 is added to the Revenue and Taxation  
15 Code, to read:

16 55306.1. A feepayer's account is eligible for the managed audit  
17 program only if the feepayer meets all of the following criteria:

18 (a) The feepayer's business or activities involve few or no  
19 statutory exemptions.

20 (b) The feepayer's business or activities involve a single or a  
21 small number of clearly defined taxability or liability issues.

22 (c) The feepayer is ~~subject to the collection procedures in this~~  
23 *liable for payment of a fee collected pursuant to this* part and  
24 agrees to participate in the managed audit program.

25 (d) The feepayer has the resources to comply with the managed  
26 audit instructions provided by the board.

27 ~~SEC. 37.~~

28 *SEC. 53.* Section 55306.2 is added to the Revenue and Taxation  
29 Code, to read:

30 55306.2. (a) If the board selects a feepayer's account for a  
31 managed audit, all of the following apply:

32 (1) The board shall identify all of the following:

33 (A) The audit period covered by the managed audit.

34 (B) The types of transactions or activities covered by the  
35 managed audit.

36 (C) The specific procedures that the feepayer is to follow in  
37 determining any liability.

38 (D) The records to be reviewed by the feepayer.

39 (E) The manner in which the types of transactions or activities  
40 are to be scheduled for review.

- 1 (F) The time period for completion of the managed audit.  
2 (G) The time period for the payment of the liability and interest.  
3 (H) Any other criteria that the board may require for completion  
4 of the managed audit.

5 (2) The feepayer shall:

6 (A) Examine its books, ~~records, and equipment~~ *and records* to  
7 determine if it has any unreported liability for the audit period.

8 (B) Make available to the board for verification all computations;  
9 ~~books, records, and equipment~~ *books and records* examined  
10 pursuant to subparagraph (A).

11 (b) The information provided by the feepayer pursuant to  
12 paragraph (2) of subdivision (a) is the same information that is  
13 required for the completion of any other audit that the board may  
14 conduct.

15 *SEC. 54. Section 55306.3 is added to the Revenue and Taxation*  
16 *Code, to read:*

17 *55306.3. Nothing in this article limits the board's authority to*  
18 *examine the books and records of a feepayer under Section 55302.*

19 ~~SEC. 38.~~

20 *SEC. 55. Section ~~55306.3~~ 55306.4 is added to the Revenue*  
21 *and Taxation Code, to read:*

22 ~~55306.3.~~

23 *55306.4. Upon completion of the managed audit and*  
24 *verification by the board, interest on any unpaid liability shall be*  
25 *computed at one-half the rate that would otherwise be imposed*  
26 *for liabilities covered by the audit period. Payment of the liabilities*  
27 *and interest shall be made within the time period specified by the*  
28 *board. If the requirements for the managed audit are not satisfied,*  
29 *the board may proceed to examine the records of the feepayer in*  
30 *a manner to be determined by the board under law.*

31 ~~SEC. 39.~~

32 *SEC. 56. Section 60611 is added to the Revenue and Taxation*  
33 *Code, to read:*

34 *60611. (a) The board shall determine which taxpayer's*  
35 *accounts are eligible for the managed audit program in a manner*  
36 *that is consistent with the efficient use of its auditing resources*  
37 *and the maximum effectiveness of the program.*

38 *(b) A taxpayer is not required to participate in the managed*  
39 *audit program.*

1     ~~SEC. 40.~~

2     ~~SEC. 57.~~ Section 60611.1 is added to the Revenue and Taxation  
3     Code, to read:

4     60611.1. A taxpayer's account is eligible for the managed audit  
5     program only if the taxpayer meets all of the following criteria:

6     (a) The taxpayer's business involves few or no statutory  
7     exemptions.

8     (b) The taxpayer's business involves a single or a small number  
9     of clearly defined taxability issues.

10    (c) The taxpayer is taxed pursuant to this part and agrees to  
11    participate in the managed audit program.

12    (d) The taxpayer has the resources to comply with the managed  
13    audit instructions provided by the board.

14    ~~SEC. 41.~~

15    ~~SEC. 58.~~ Section 60611.2 is added to the Revenue and Taxation  
16    Code, to read:

17    60611.2. (a) If the board selects a taxpayer's account for a  
18    managed audit, all of the following apply:

19    (1) The board shall identify all of the following:

20    (A) The audit period covered by the managed audit.

21    (B) The types of transactions covered by the managed audit.

22    (C) The specific procedures that the taxpayer is to follow in  
23    determining any liability.

24    (D) The records to be reviewed by the taxpayer.

25    (E) The manner in which the types of transactions are to be  
26    scheduled for review.

27    (F) The time period for completion of the managed audit.

28    (G) The time period for the payment of the liability and interest.

29    (H) Any other criteria that the board may require for completion  
30    of the managed audit.

31    (2) The taxpayer shall:

32    (A) Examine its books, records, and equipment to determine if  
33    it has any unreported tax liability for the audit period.

34    (B) Make available to the board for verification all ~~computations,~~  
35    ~~computations and~~ books, records, and equipment examined  
36    pursuant to subparagraph (A).

37    (b) The information provided by the taxpayer pursuant to  
38    paragraph (2) of subdivision (a) is the same information that is  
39    required for the completion of any other audit that the board may  
40    conduct.



1     *SEC. 59. Section 60611.3 is added to the Revenue and Taxation*  
2     *Code, to read:*

3     *60611.3. Nothing in this article limits the board's authority to*  
4     *examine the books, records, and equipment of a taxpayer under*  
5     *Section 60606.*

6     ~~SEC. 42.~~

7     *SEC. 60. Section ~~60611.3~~ 60611.4 is added to the Revenue*  
8     *and Taxation Code, to read:*

9     ~~60611.3.~~

10    *60611.4. Upon completion of the managed audit and*  
11    *verification by the board, interest on any unpaid liability shall be*  
12    *computed at one-half the rate that would otherwise be imposed*  
13    *for liabilities covered by the audit period. Payment of the liabilities*  
14    *and interest shall be made within the time period specified by the*  
15    *board. If the requirements for the managed audit are not satisfied,*  
16    *the board may proceed to examine the records of the taxpayer in*  
17    *a manner to be determined by the board under law.*